CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 27, 2005

Reconciliation Recommendations of the House Committee on Transportation and Infrastructure

As approved by the House Committee on Transportation and Infrastructure on October 26, 2005

SUMMARY

The legislation would increase vessel tonnage charges on vessels entering the United States from any foreign port or place. Those charges are collected by the U.S. Customs Service on behalf of the U.S. Coast Guard, and the increase would be effective for fiscal years 2006 through 2010. CBO estimates that this provision would increase offsetting receipts, which are credits against direct spending, by $156 million over the 2006-2010 period, with no effect after 2010.

This legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. By increasing vessel tonnage duties, the legislation would impose new private-sector mandates. CBO estimates that the incremental direct costs of complying with those mandates would average $31 million over the 2006-2010 period and thus would fall below the annual threshold established by UMRA for private-sector mandates ($123 million in 2005, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the budgetary effects of this legislation is shown in the following table. The effects of this legislation fall within budget function 400 (transportation).

ESTIMATED BUDGETARY IMPACT OF THE RECONCILIATION RECOMMENDATIONS OF THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	-30	-31	-31	-32	-32	0	0	0	0	0	-156	-156
Estimated Outlays	-30	-31	-31	-32	-32	0	0	0	0	0	-156	-156

BASIS OF ESTIMATE

The legislation would increase, through fiscal year 2010, per-ton duties from 2 cents to 4.5 cents (up to a maximum of 22.5 cents per ton per year) on vessels entering the United States from foreign ports in the Western Hemisphere and from 6 cents to 13.5 cents (up to a maximum annual duty of 67.5 cents per ton) on those arriving from other foreign ports. After 2010, duty rates would revert to current law.

CBO estimates that enacting this legislation would increase offsetting receipts by an average of $31 million annually over the fiscal years 2006 through 2010. That estimate is based on the receipts collected from existing tonnage rates and the amounts collected before 2002 when those rates were temporarily increased. In addition, CBO assumes that shipping traffic at U.S. ports continues to grow at the rates experienced in recent years. Like collections from the existing fees, amounts received as a result of the proposed increase would be deposited in the general fund of the U.S. Treasury as offsetting receipts (as specified in the legislation).

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The legislation contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The legislation would impose new private-sector mandates on operators of vessels entering the United States from any foreign port or place by increasing certain vessel tonnage duties over the 2006-2010 period. The direct costs of complying with those mandates would be the incremental amounts collected by the federal government as a result of the higher rates. CBO estimates that the total incremental costs of both mandates would average $31 million annually over the 2006-2010 period and thus would fall below the annual threshold established by UMRA ($123 million, adjusted annually for inflation) in the first five years the mandates are in effect.

ESTIMATE PREPARED BY:

Federal Costs: Deborah Reis
Impact on State, Local, and Tribal Governments: Sarah Puro
Impact on the Private Sector: Craig Cammarata

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis